

Message Text

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TO SECSTATE WASHDC PRIORITY 7265
INFO ALL CONGENS IN CANADA POUCH

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E.O. 11652: N/A
TAGS: AFSP, APER, BGEN, CA
SUBJECT: COUNTRY COMMERCIAL PROGRAM - CANADA

REFS: A. STATE 106634, B. OTTAWA 2195, C. STATE 95673

1. SUMMARY. SINCE ARRIVING IN CANADA, I HAVE BEEN CONCERNED ABOUT RESULTS ACHIEVED FROM OUR TRADE PROMOTION ACTIVITIES RELATIVE TO RESOURCES DEVOTED TO THESE PROGRAMS. WE HAVE SOUGHT TO USE OUR RESOURCES MORE IMAGINATIVELY AND PRODUCTIVELY THROUGH REGIONAL TRADE PROMOTION PROGRAMS IN COOPERATION WITH COMMERCE FIELD OFFICES ADJOINING CANADA -- FIRST AT TORONTO AND THIS YEAR AT VANCOUVER AND MONTREAL. 1977 POST INSPECTION RAISED AGAIN FUNDAMENTAL QUESTIONS ABOUT VALUE OF U.S. TRADE PROMOTION IN CANADA AND WE HAVE CAREFULLY REVIEWED PROGRAMS AND ANALYZED RESULTS SINCE THEN.

2. PRESIDENT'S CONCERN ABOUT MORE EFFECTIVE EXPORT PROMOTION
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TION (REF C) AND DEPARTMENT'S REQUIREMENT FOR REDUCTION IN AMERICAN PERSONNEL THROUGH CUT-BACK IN LEAST VITAL AND PRODUCTIVE ACTIVITIES (GORM AND EARLIER RELATED EFFORTS) LEAD ME TO RECOMMEND SHARPLY REDUCING OUR TRADE PROMOTION PROGRAMS. TWO COMMERCIAL OFFICER POSITIONS (VANCOUVER AND TORONTO) AND TWO FSL POSITIONS (VANCOUVER AND MONTREAL) CAN BE ELIMINATED WITH NO RPT NO IMPACT ON U.S. SALES IN

CANADA AND STILL PERMIT US TO OFFER REACTIVE BUSINESS SERVICES COUNTRY-WIDE AND MAINTAIN EFFECTIVE ECONOMIC/COMMERCIAL REPORTING AND REPRESENTATION PROGRAMS. THIS WILL NOT ONLY SATISFY TARGET FOR REDUCTION IN AMERICAN PERSONNEL SET BY DEPARTMENT (REF A) BUT ELIMINATION OF FSL POSITIONS WILL FREE ADDITIONAL RESOURCES FOR MORE PRODUCTIVE USE ELSEWHERE. THE PRINCIPAL CONCLUSIONS FROM OUR ANALYSIS ARE SUMMARIZED BELOW. END SUMMARY.

3. CONDUCT OF TRADE PROMOTION IN CANADA MUST BE VIEWED AGAINST BACKDROP OF UNIQUE U.S.-CANADIAN RELATIONSHIP. WE ARE, BY FAR, EACH OTHER'S LARGEST TRADING PARTNERS. U.S. PROVIDES MORE THAN 75 PERCENT OF CANADA'S INDUSTRIAL IMPORTS IN ALL PRODUCT AREAS, EXCEPT HIGHLY PROTECTED TEXTILE AND FOOTWEAR INDUSTRIES.

4. U.S. TRADE PROMOTION PROGRAMS TRADITIONALLY HAVE BEEN DESIGNED TO INTRODUCE NEW PRODUCTS INTO FOREIGN MARKETS. THERE IS LITTLE OF COMMERCIAL INTEREST IN U.S. THAT IS NOT ALREADY WELL KNOWN AND WELL REPRESENTED IN CANADA. FAMILIARITY AND MASSIVE PRIVATE INTERCHANGE BETWEEN U.S. AND CANADA OVERSHADOW OFFICIAL TRADE PROMOTION ACTIVITIES AND RENDER THEM LARGELY REDUNDANT.

5. NOWHERE IS THIS CLEARER THAN IN TRADE OPPORTUNITY (TO) PROGRAM. TO'S ARE MAIN END PRODUCT OF TRADE PROMOTION CAMPAIGNS. ANALYSIS OF TO PROGRAM FOR 1976 SHOWS 168 LIMITED OFFICIAL USE

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TO'S SUBMITTED, 549 REPLIES RECEIVED FROM U.S. SUPPLIERS -- OF WHICH 3 RESULTED IN DOLS 155,000 SALES, AND SOME BUSINESS (AMOUNT UNKNOWN) RESULTED FROM 10 OTHERS. APPROXIMATELY 2.5 MAN YEARS OF WORK WERE EXPENDED IN ACHIEVING THESE MEAGER RESULTS.

6. WASHINGTON-DIRECTED COMMERCIAL INTELLIGENCE PROGRAMS (WORLD TRADERS DATA REPORTS--WTDR'S--AND FOREIGN TRADERS INDEX--FTI) ARE OTHER MAJOR CONSUMERS OF STAFF TIME (1.5 MAN YEARS). WTDR'S IN CANADA ARE PREPARED ON BASIS OF QUESTIONNAIRE COMPLETED BY FIRM, DUN AND BRADSTREET REPORT AND CREDIT CHECK WITH LOCAL BANKS. POSTS DO NOT MAKE INDEPENDENT ASSESSMENT OF FIRM AND ANY IMPLICATION THAT INFORMATION SUPPLIED TO U.S. REQUESTOR IS INDEPENDENT CONFIRMATION OF THAT AVAILABLE FROM COMMERCIAL SOURCES IS MISLEADING. THIS SERVICE COSTS OVER DOLS 40 PER REPORT; USER CHARGE IS DOLS 15. ESSENTIALLY SAME INFORMATION IS READILY (AND PROBABLY MORE CHEAPLY) AVAILABLE TO U.S. FIRMS FROM THEIR USUAL SOURCES OF COMMERCIAL CREDIT INFORMATION, SINCE U.S. BANKS OF ANY SIZE HAVE CANADIAN CORRESPONDENTS AND CANADIAN CREDIT REPORTING AGENCIES ARE FREQUENTLY SUBSIDIARIES OR AFFILIATES OF U.S. ORGANIZATIONS. WE ALSO BELIEVE THAT, FOR CANADA, FTI IS OF MAR-

GINAL USE, ESPECIALLY AS SIMILAR INFORMATION IS AVAILABLE FROM U.S. AND CANADIAN FOREIGN TRADE CENTERS OPERATED IN MAJOR COMMERCIAL HUBS. WE, THEREFORE, CONCLUDE THAT BOTH WTDR'S AND FTI SHOULD BE DISCONTINUED FOR CANADA AND REPLACED BY DIRECT USE OF COMMERCIALY AVAILABLE MATERIAL.

7. ELIMINATION OF THESE PROGRAMS WOULD REMOVE RATIONALE FOR PRESENT COUNTRY COMMERCIAL PROGRAM (CCP) PLANNING AND

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REPORTING STRUCTURE. THEREFORE CCP, AS A FORMAL DEVICE, SHOULD NO LONGER BE APPLIED TO CANADA. REQUIREMENT FOR EMBASSY COORDINATION AND REVIEW OF COMMERCIAL PROGRAM WOULD, CONSEQUENTLY, BE GREATLY REDUCED. UNDER THESE CIRCUMSTANCES, POSITION NO. 20-077 (FSO-2 COMMERCIAL COUNSELOR) AT OTTAWA SHOULD BE CONVERTED TO FSO-3 COMMERCIAL OFFICER AND POSITION DESCRIPTION REVISED TO EMPHASIZE GREATLY INCREASED ATTENTION BEING GIVEN TO TRADE POLICY ISSUES.

8. IT IS EMBASSY'S VIEW, WHICH IS WIDELY SHARED AMONG BUSINESSMEN, THAT MOST IMPORTANT CONTRIBUTION USG CAN MAKE TO INCREASING EXPORTS TO CANADA IS TO WORK TO RESTRAIN PROTECTIONIST FORCES AND ACHIEVE SIGNIFICANT REDUCTION OF TARIFFS AND NTB'S IN MTN. WE INTEND TO DO ALL WE CAN TO SUPPORT THOSE OBJECTIVES. ADDITIONALLY, WE INTEND TO CONTINUE TO MAKE APPROPRIATE REPRESENTATIONS ON FEDERAL AND PROVINCIAL LAWS OR REGULATIONS ADVERSELY AFFECTING U.S. INTERESTS, AND CONTINUE PRIORITY TRADE PROMOTION THROUGH RESPONSES TO INQUIRIES OF U.S. AND CANADIAN BUSINESSMEN,

EVENT SUPPORT, THE AGENT-DISTRIBUTOR SERVICE (ADS) AND THE NEW TAILORED EXPORT MARKETING PLANS SERVICE (TEMPS).
9. AS DEPARTMENT HAS ALREADY DECIDED--AS I RECOMMENDED TO LIMITED OFFICIAL USE

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ASSISTANT SECRETARY VEST--TO ABOLISH COMMERCIAL OFFICER POSITIONS AT VANCOUVER AND TORONTO (REF A), CONCOMITANT REDUCTIONS IN COMMERCIAL PROGRAM MUST ALSO BE MADE (REF B). IMPENDING TURNOVER IN E/C OFFICERS AFFECTED MAKES THIS PROPER TIME TO IMPLEMENT THESE RECOMMENDATIONS. DOING SO WILL:

A. LEAVE A COMMERCIAL OFFICER AT CALGARY (POSITION 20-007) TO CONTINUE TO PROMOTE SALES TO, AND REPORT ON MAJOR PROJECT OPPORTUNITIES IN, BOOMING CANADIAN OIL AND GAS INDUSTRY;

B. LEAVE AN OFFICER AND FSL (POSITIONS 20-046 AND MTL-28) AT MONTREAL DEVOTED TO COMMERCIAL WORK SO THAT UNIQUE PROBLEMS AND OPPORTUNITIES PRESENTED BY DEVELOPMENTS IN QUEBEC PROVINCE CAN BE ADEQUATELY TREATED;

C. CONTINUE ONE FULL-TIME FSL DEVOTED TO COMMERCIAL WORK AT TORONTO, VANCOUVER AND OTTAWA (POSITIONS TOL-4, VRL-2, AND OTL-3)--REPORTING TO AN E/C OFFICER (POSITIONS 20-064, 20-015 AND 20-077) WHOSE PRINCIPAL DUTIES ARE REPORTING AND REPRESENTATION--THUS PERMITTING THESE POSTS TO CONTINUE TO RESPOND TO BUSINESS INQUIRIES, TO FOLLOW AND REPORT ON SIGNIFICANT COMMERCIAL OPPORTUNITIES AND GOVERNMENT POLICIES AND REGULATIONS, IN ADDITION TO THOSE TRADE PROMOTION ACTIVITIES CITED PARA 8 ABOVE.

THESE ARE THE EFFECTIVE ELEMENTS OF EXISTING PROGRAMS AND, SO LONG AS THEY ARE CONTINUED, WE CAN MAINTAIN PRESENT LEVEL OF PRODUCTIVITY IN THE COMMERCIAL FIELD IN CANADA.

10. REQUEST DEPARTMENT'S APPROVAL OF THESE RECOMMENDATIONS. IF DEPARTMENT DOES APPROVE, CONSULTATION WITH COMMERCE
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DEPARTMENT WILL BE REQUIRED, AND APPROPRIATE ADJUSTMENTS MADE IN PERSONNEL ASSIGNMENTS TO AFFECTED POSITIONS.
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